
Audit Committee guidance

Committee considering report:	Governance and Ethics Committee
Date of Committee:	20 March 2023
Portfolio Member:	Councillor Tom Marino
Report Author:	Joseph Holmes, Executive Director (Resources)
Forward Plan Ref:	GE4285

1 Purpose of the Report

- 1.1 The purpose of the report is inform the committee that CIPFA (Chartered Institute of Public Finance & Accountancy) have released recent guidance on the role of audit committees. As this committee is the committee at West Berkshire Council that performs the function of an audit committee it is best placed to consider this report and comment upon it as well as complete the appended self-assessment.
- 1.2 Ensuring good governance is crucial for the Council as a whole. With a variety of pressures and demands on the Council from a range of areas, and a series of high profile governance concerns at a number of other Councils with associated Best Value reviews, it is critical that the Council ensures that its work is underpinned by strong governance and that it is always seeking to improve how it undertakes its functions and services.
- 1.3 The report is for the committee to consider and reflect upon the latest guidance and then assess where it complies or does not, and where it wishes to seek any changes, if it wishes to complete a self-assessment, as a result of undertaking the attached self-assessment at a future meeting.

2 Recommendations

- 2.1 For the committee to note the report and commit to completing the self-assessment with a summary of this brought to a future committee to consider next steps, where/if required.
- 2.2 To approve that members of the existing committee to respond to the self-assessment and circulate that to democratic services.

3 Implications and Impact Assessment

Implication	Commentary
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Financial:	There are no direct financial implications of this report			
Human Resource:	There are no Human Resources implications of this report			
Legal:	There are no legal implications of this report			
Risk Management:	This report and any undertaking subsequently should enhance risk management processes, though there are none directly from this report			
Property:	None			
Policy:	This supports national policy work on audit committees and enhancing governance in the Local Government.			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?				None – not applicable
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?				None – not applicable
Environmental Impact:		X		
Health Impact:		X		

ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		
Core Business:	X			Any output from this report should enhance core governance in the Council
Data Impact:		X		
Consultation and Engagement:	None			

4 Executive Summary

- 4.1 The Council’s audit committee, the Governance & Ethics Committee (update for 2023) performs an important function in supporting the good governance of the Council IT has at times reviewed its effectiveness, per recent internal audit reports, as well as seen its role and remit change through changes to terms of reference and reviews of the constitution.
- 4.2 CIPFA (Chartered Institute of Public Finance Accountancy) have recently (late 2022) released a report with practical guidance for audit committees. This is a paid for publication, so has been included in the exempt appendix, but the contents and potential actions for the Governance & Ethics Committee are included within this report.
- 4.3 The CIPFA report highlights the following areas as being the “overall aim of good governance is to align the authority’s processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:
- resources are directed in accordance with agreed policy and according to priorities
 - there is sound and inclusive decision making
 - there is appropriate stewardship of public assets and resources
 - there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.”
- 4.4 Accompanying the report is a self-assessment of good practice and it is recommended as part of this report that this is completed in conjunction with the Governance & Ethics committee and then reported back to the committee.

5 Supporting Information

Introduction

- 5.1 CIPFA are one of the leading bodies on local authority risk management thought leadership and have helped to produce with SOLACE (Society of Local Authority Chief Executives) the framework for good governance that supports the Annual Governance Statement (AGS) that forms part of all local authorities governance framework. The AGS is required to be signed off by the Council or delegated committee (in West Berkshire's case, this committee) and included within the final set of financial statements.
- 5.2 The CIPFA guidance sees three key areas for the audit committee to consider as the core functions of the committee:
- (a) Maintenance of Governance, risk and control arrangements
 - (b) Financial and governance reporting
 - (c) Supporting arrangements for audit and assurance
- 5.3 CIPFA have recently released some guidance for local authorities on the role of the audit committee, and in the public domain is the position statement, see Appendix C of this paper. The guidance is a paid for document, so has been attached as a part II appendix to this report, however, the key elements of the guidance seeks to explore the role of audit committee in Local Authorities; included is the section below looking at the areas of influence for an audit committee:

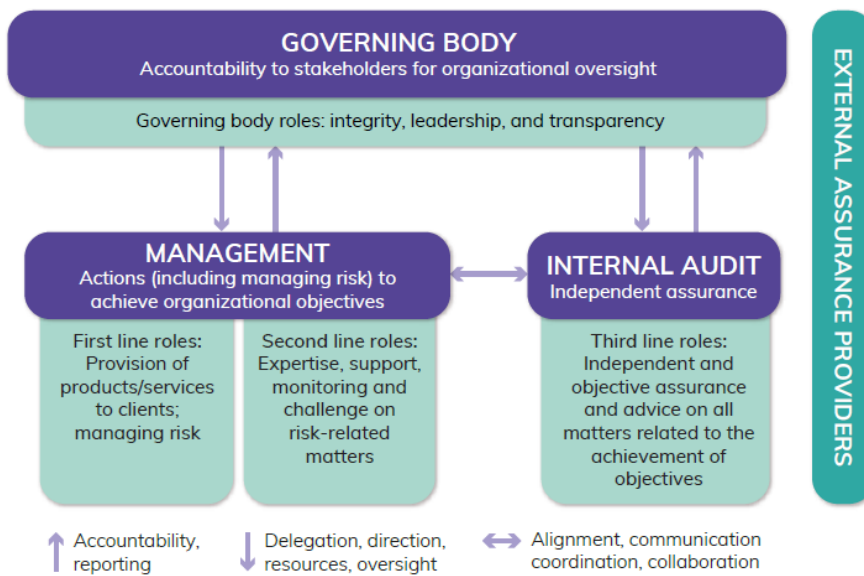
The principal areas where the committee can exert influence and add value are:

- *aiding the achievement of the authority's goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements*
- *promoting the principles of good governance and how they are applied during decision making*
- *raising awareness of the need for sound internal control and contributing to the development of an effective control environment*
- *supporting arrangements to govern risk and for effective arrangements to manage risk*
- *advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively across the authority*
- *reinforcing the objectivity, importance and independence of both internal and external audit and supporting the effectiveness of the audit functions*
- *supporting the development of robust arrangements for ensuring value for money*
- *helping the authority to implement the values of ethical governance, including effective arrangements for countering the risks of fraud and corruption*
- *promoting measures to improve transparency, accountability and effective public reporting to the authority's stakeholders and the local community.*

- 5.4 The report also uses the Institute of Internal Audit's "Three lines model" as part of the assurance framework as well:

Audit Committee guidance

Figure 1: The IIA's Three Lines Model



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- 5.5 The guidance raises some interesting questions for the committee. For example in respect of scope the guidance is clear that it should not dilute its work with other elements of Council business. CIPFA's position in the self-assessment is that it should only focus on the audit committee direct remit and not scrutiny (which it does not at West Berkshire with a separate scrutiny commission in operation) nor ethics and standards (which is part of the remit of the committee at West Berkshire). It also recommends that the membership of the committee should be a maximum of eight with no substitutes. CIPFA also recommends that the committee remains an advisory committee and does not include the functions delegated to it, for example at West Berkshire, of approving the financial statements. CIPFA also recommend that the committee produces an annual report (which this committee has commenced in 2022) to Full Council.
- 5.6 The guidance also considers the political make-up of the membership of the committee, independent members of the committee and support for members of the committee. The report also includes some draft terms of reference for the committee.

Proposals

- 5.7 This report proposes that the committee undertakes the self-assessment at an informal session and then a formal report is brought back through to the committee at a future meeting in the new municipal year.

6 Other options considered

- 6.1 The committee could decide to ignore the CIPFA report and continue to operate as it currently does.

7 Conclusion

7.1 The release of the guidance is timely with a much greater focus on good governance within the sector and the remit of the audit committee functions. The report highlights some areas for the committee to consider that the completion of the self-assessment will prompt.

8 Appendices

Appendix A – PART II CIPFA report “Audit Committees – practical guidance for local authorities and police”

Appendix B – PART II CIPFA self-assessment

Appendix C – PART I – CIPFA position statement on audit committees

Subject to Call-In:

Yes: No:

The item is due to be referred to Council for final approval

Delays in implementation could have serious financial implications for the Council

Delays in implementation could compromise the Council's position

Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months

Item is Urgent Key Decision

Report is to note only

Wards affected: All

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